

ATLANTIC ACCEPTANCE CORPORATION LIMITED
in Receivership

MONTREAL TRUST COMPANY,
Receiver and Manager

FINANCIAL STATEMENTS
DECEMBER 31, 1967

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PRICE WATERHOUSE & CO.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

FINANCIAL STATEMENTS - DECEMBER 31, 1967

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PRICE WATERHOUSE & Co.

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the accompanying combined financial statements for 1967 (Exhibits 1, 2 and 3) of Atlantic Acceptance Corporation Limited - In Receivership.

Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Combined Statement of Deficiency in Net Assets as at December 31, 1967 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

Combined Statement of Deficiency in Net Assets as at December 31, 1967 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Combined Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Combined Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,575,782, subject to the comment concerning bank deposits of \$965,723 in Note 2 to the combined financial statements), short-term investments (\$66,170,970), income taxes recoverable and miscellaneous accounts receivable (\$723,087), 6% Capital Notes of General Acceptance Corporation (\$8,552,519), and fixed assets (\$2) are fairly presented in the Combined Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated realizable value of instalment notes and accounts receivable (\$1,252,576) and the estimated amounts due in respect of sale of interest in former subsidiary companies (\$8,023,353) as referred to in Note 3 to the combined financial statements have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$10,576,592 (Note 5 to the combined financial statements). We have been unable to form an opinion as to the amount which may be realized from this investment.

The shares of Great Northern Capital Corporation Limited are carried at a value of \$700,000 (Note 7 to the combined financial statements) which is the indicated market value at June 14, 1968.

We are also of the opinion that the liabilities are fairly presented in the Combined Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 8 to the combined financial statements).

Litigation is pending which seeks to establish that senior notes issued after June 30, 1964 are not entitled to the security of the Senior Note indenture (Note 13 to the combined financial statements). The Combined Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$127,768,562 is entitled to the security of the indenture.

Combined Statement of Deficit as at June 17, 1965, the date when the company went into receivership, as adjusted to December 31, 1967 (Exhibit 2):

We have reviewed the adjustments made during the year ended December 31, 1967 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Combined Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1967.

Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1967, while the operations of the companies were under the control of the Receiver and Manager (Exhibit 2),

and

Combined Statement of Loss for the year ended December 31, 1967 (Exhibit 3):

Except that no provision has been made for the operating loss of the unconsolidated subsidiary company, Lucayan Beach Hotel and Development Limited

(Note 5 to the combined financial statements), in our opinion the Combined Statement of Loss for the year ended December 31, 1967 presents fairly the combined income and expenses arising during the year from the net assets under the control of the Receiver and Manager, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1967 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIENCY IN NET ASSETS

AS AT DECEMBER 31, 1967

(See Note 1 for basis of preparation of combined financial statements)

Assets under the control of the Receiver and Manager:

Cash (Note 2)		\$ 1,575,782
Short-term investments, maturing within one year, at cost plus accrued interest:		
Deposit receipts of Canadian chartered banks	\$40,190,718	
Provincial and provincial hydro notes	18,034,320	
Guaranteed investment certificates of Canadian trust companies	7,793,437	
Canadian and United States treasury bills	<u>152,495</u>	
		66,170,970
Instalment notes and accounts receivable, at estimated realizable value		1,252,576
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)		8,023,353
Income taxes recoverable and miscellaneous accounts receivable, at estimated realizable value (Note 4)		723,087
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 5)-		
Shares and debentures, at cost	3,660,718	
Advances, including accrued interest	<u>6,915,874</u>	
		10,576,592
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 6)	8,552,519	
Shares of Great Northern Capital Corporation Limited (Note 7)	<u>700,000</u>	
		19,829,111
Fixed assets, at nominal value		<u>2</u>
Forward		\$97,574,881

Forward

\$ 97,574,881

Deduct- Liabilities of the Receiver and Manager:

Accounts payable and accrued liabilities 213,880

Estimated realizable value of net assets
under the control of the Receiver and
Manager, before full provision for the
compensation of the Receiver and Manager
(Note 8), being 89.2% of the principal
amount (\$109,173,800) due to senior note-
holders as at December 31, 1967 97,361,001

Deduct- Senior debt (principal \$109,173,800,
redemption premium \$2,176,335 and accrued interest
\$16,418,427, as set out in Note 9) 127,768,562

Deficiency in net assets to meet senior
debt outstanding, before full provision
for the compensation of the Receiver
and Manager (Note 8) 30,407,561

Other liabilities:

Subordinated debt (Note 10) \$19,353,857
Junior subordinated debt (Note 11) 5,024,799
Accounts payable and accrued liabilities 75,523
Dividends payable 249,430
Contingent liabilities (Note 12) -
24,703,609

Deficiency in net assets \$ 55,111,170

Represented by:

Capital stock \$ 14,455,087

Deficit (Exhibit 2):

As at June 17, 1965 as adjusted to
December 31, 1967 \$63,723,412
For the period from June 18, 1965 to
December 31, 1967 5,842,845
(69,566,257)
\$ 55,111,170

(The accompanying notes are an integral part of
the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF DEFICIT

AS AT JUNE 17, 1965,

THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,

AS ADJUSTED TO DECEMBER 31, 1967

Deficit at June 17, 1965 as adjusted to December 31, 1966		\$65,497,059
Deduct- Adjustments during the year ended December 31, 1967 relating to the assets and liabilities at June 17, 1965:		
Amounts received (or estimated to be received) from collections of notes and accounts receivable in excess of their estimated realizable value at December 31, 1966	\$1,436,003	
Amounts recovered on notes and accounts receivable previously written off as uncollectible	343,303	
Increase in estimated income taxes recoverable	120,435	
Adjustment of foreign exchange on notes payable in United States dollars based on exchange rates at December 31, 1967	56,141	
Excess of estimated realizable value of a miscellaneous account receivable at December 31, 1966 over the amount to be received on collection of the account	(58,905)	
	<u>1,896,977</u>	
Add- Legal expenses of the receivership	<u>123,330</u>	
		<u>1,773,647</u>
Deficit at June 17, 1965		
as adjusted to December 31, 1967		<u>\$63,723,412</u>

COMBINED STATEMENT OF DEFICIT

FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967,
WHILE THE OPERATIONS OF THE COMPANIES WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1966	\$ 3,084,624
Add- Loss for the year ended December 31, 1967 (Exhibit 3)	<u>2,758,221</u>
Deficit as at December 31, 1967	<u>\$ 5,842,845</u>

(The accompanying notes are an integral part of
the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1967

Operating income:		
Interest on marketable securities		\$3,509,777
Interest		766,209
Interest on advances to-		
Lucayan Beach Hotel and Development Limited (Note 5)		484,813
Standard Discount Corporation Limited		<u>186,744</u>
		4,947,543
Operating expenses:		
Administrative, per statement attached		<u>263,985</u>
Excess of operating income over operating expenses before interest on notes		4,683,558
Interest on notes:		
Senior debt-		
Bank advances	\$ 435,990	
Short-term	2,504,065	
Medium-term	273,987	
Long-term	2,951,098	
Subordinated debt	1,010,658	
Junior subordinated debt	<u>265,981</u>	
		<u>7,441,779</u>
Loss for the year		<u><u>\$2,758,221</u></u>

(The accompanying notes are an integral part of
the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

COMBINED STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1967

Adjustment of provision for loss on notes and accounts receivable	\$(10,126)
Bank charges	(1,134)
Capital and place of business taxes	158
Collection expenses	79,651
Credit information	1,210
Employee benefits	1,064
Foreign exchange	(42,399)
Insurance	374
Legal and audit	131,756
Management fees to G.A.C. International Acceptance Corporation Limited	31,250
Miscellaneous	1,944
Notary, filing and recording fees	666
Occupancy	(1,085)
Postage	2,024
Printing, stationery and office supplies	2,289
Rent	20,039
Salaries	39,797
Telephone and telegraph	5,580
Travel and automobile expenses	<u>927</u>
	<u>\$263,985</u>

(The accompanying notes are an integral part of
the combined financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 1967

1. Basis of preparation of combined financial statements:

The accompanying Combined Statement of Deficiency in Net Assets as at December 31, 1967 (Exhibit 1) includes:

- (a) the assets under the direct control of the Receiver and Manager originating from Atlantic Acceptance Corporation Limited and The Premier Finance Corporation Limited, both of which are in receivership, and
- (b) the assets of the following subsidiaries which are not in receivership but are under the control of the Receiver and Manager:

Adelaide Acceptance Limited
Atlantic Acceptance (Toronto) Limited
Commodore Factors Limited
Concourse Agencies Limited
Pay As you Study Plan Limited

The financial statements of Lucayan Beach Hotel and Development Limited, a 91.4% owned subsidiary, have not been combined with those of Atlantic Acceptance because Lucayan's operations are different and unrelated to those of the other companies in the group. For information concerning Lucayan, reference should be made to the audited financial statements of that company as at September 30, 1967 and to Note 5.

The assets in the combined financial statements are stated at estimated realizable values and there has been deducted therefrom the liabilities of the Receiver and Manager, in respect of the two receiverships, and also the liabilities of the above subsidiaries not in receivership, to arrive at the estimated realizable value of net assets under the control of the Receiver and Manager which are available for creditors as of June 17, 1965.

The Combined Statement of Deficit as at June 17, 1965 (Exhibit 2) reflects the results of operations to June 17, 1965 with subsequent adjustments to December 31, 1967 primarily to adjust the assets and liabilities at June 17, 1965 to their estimated realizable values, and the Combined Statement of Deficit for the period from June 18, 1965 to December 31, 1967 (Exhibit 2) reflects the cumulative results of operations carried out by or under the direction of the Receiver and Manager, in respect of the assets of the companies in the Atlantic group during that period.

The results of operations for the year ended December 31, 1967 are set out in the Combined Statement of Loss (Exhibit 3).

In combining the financial statements as described above, all intergroup assets and liabilities and income and expenses have been eliminated.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1967.

2. Cash:

Cash includes bank deposits of \$965,723 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of three wholly-owned subsidiary companies, and the following amounts are due as at December 31, 1967 in respect of the sale of the interest in these companies:

Balance of consideration due from General Acceptance Corporation in respect of the sale of interest in Atlantic Finance Corporation Limited, equal to the estimated realizable value of certain notes receivable and other net assets as at December 31, 1967	\$ 880,129
Due from Great Northern Capital Corporation Limited, representing the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1967	6,011,868
Due from Standard Discount Corporation Limited	<u>1,131,356</u>
	<u>\$8,023,353</u>

4. Income taxes recoverable and miscellaneous accounts receivable:

Income taxes recoverable and miscellaneous accounts receivable include the following amounts:

Income taxes recoverable, of which \$550,322 was confirmed by reassessment notices in June, 1968	\$ 678,227
Other	<u>44,860</u>
	<u>\$ 723,087</u>

5. Lucayan Beach Hotel and Development Limited:

Approximately 30% of the outstanding shares of Lucayan and debentures in the face amount of U.S. \$1,200,000 are held as collateral security for loans made by a former subsidiary, Commodore Sales Acceptance Limited, the estimated realizable value of which is included in the item of \$8,023,353 shown on Exhibit 1. In 1965 the Receiver and Manager acquired control of Lucayan by purchasing a further 61.4% of the outstanding shares of that company and additional debentures having a face value of U.S. \$1,200,000 for an aggregate consideration of \$3,660,718.

The Receiver and Manager also made advances to Lucayan totalling \$6,915,874 (including accrued interest) to December 31, 1967 to assist it in meeting its current obligations. As security for these advances the Receiver and Manager is entitled to receive debentures from Lucayan having a charge on its assets. One debenture has been received in the amount of U.S. \$5,000,000 which constitutes a specific charge on the real and leasehold property and a first charge by way of a floating security on all other assets of the company. Additional debentures issued or to be issued by Lucayan constitute a specific charge on the real and leasehold property and a third charge by way of a floating security on all other assets of the company subject to the first charge referred to above and a second charge of U.S. \$637,299 granted to others.

The audited financial statements of Lucayan as at September 30, 1967 indicate an underlying equity at book value in excess of \$10,576,592, the aggregate investment in Lucayan.

No provision has been made for the company's share (approximately \$800,000) of the loss of Lucayan for the year ended September 30, 1967, or for its share of the cumulative losses (approximately \$2,100,000) of Lucayan to that date.

6. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation prepaid without premium \$4,000,000 on October 1, 1967 and will prepay without premium \$3,500,000 on October 1, 1968 and \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

7. Shares of Great Northern Capital Corporation Limited:

On the sale of the shares of Commodore Sales Acceptance Limited (a former wholly-owned subsidiary company) in December 1965, the company acquired 200,000 shares of Great Northern Capital Corporation Limited and under the terms of the sale agreement, a value of \$700,000 (or \$3.50 per share) was placed on these shares. The shares of Great Northern, which are traded on the Toronto Stock Exchange, had a quoted market value of \$430,000 on December 31, 1967 and \$700,000 on June 14, 1968.

8. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

9. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):		
Payable in Canadian dollars	\$ 3,250,000	
Payable in United States dollars		
(U.S. \$4,000,000)	<u>4,322,500</u>	\$ 7,572,500
Short-term notes (Note 2):		
Payable in Canadian dollars	35,280,135	
Payable in United States dollars		
(U.S. \$15,953,000)	<u>17,239,211</u>	52,519,346
Medium-term notes:		
Payable in Canadian dollars-		
5 %	100,000	
5 3/8%	140,000	
5 7/8%	700,000	
Payable in United States dollars-		
5 % (U.S. \$2,000,000)	2,161,250	
5 1/4% (U.S. \$2,000,000)	<u>2,161,250</u>	5,262,500
Long-term notes:		
Payable in Canadian dollars-		
Series B 6 1/2%	846,000	
Series C 5 3/4%	600,000	
Series D 5 3/4%	400,000	
Series E 6 1/4%	400,000	
Series F 5 1/4%	100,000	
Series G 6 1/4%	100,000	
Series H 6 %	700,000	
Series I 6 %	1,250,000	
Series O 6 1/8%	1,500,000	
Payable in United States dollars		
Series A 6 1/2% (U.S. \$3,384,000)	3,656,835	
Series J 6 % (U.S. \$2,250,000)	2,431,406	
Series K 6 % (U.S. \$1,500,000)	1,620,937	
Series L 6 % (U.S. \$2,500,000)	2,701,563	
Series M 6 % (U.S. \$2,500,000)	2,701,563	
Series N 5 3/4% (U.S. \$7,500,000)	8,104,687	
Series P 6 % (U.S. \$1,500,000)	1,620,937	
Series Q 6 % (U.S. \$8,500,000)	9,185,313	
Series R 5 7/8% (U.S. \$5,460,000)	<u>5,900,213</u>	43,819,454
Principal amount of senior debt		109,173,800
Redemption premium on long-term notes		<u>2,176,335</u>
		111,350,135
Accrued interest on senior debt to December 31, 1967		<u>16,418,427</u>
		<u>\$127,768,562</u>

10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 %	\$ 23,500
6 1/4%	4,500,000
Payable in United States dollars-	
6 1/2% (U.S. \$2,250,000)	2,431,406
6 1/2% (U.S. \$ 782,000)	845,049
6 % (U.S. \$3,478,000)	3,758,414
6 1/4% (U.S. \$2,340,000)	2,528,662
6 1/4% (U.S. \$2,000,000)	<u>2,161,250</u>
Principal amount of subordinated debt	16,248,281
Redemption premium	<u>401,068</u>
	16,649,349
Accrued interest on subordinated debt to December 31, 1967	<u>2,704,508</u>
	<u>\$19,353,857</u>

11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-	
6 1/2%	\$ 1,000,000
6 3/4%	400,000
6 3/4%	150,000
Payable in United States dollars-	
6 % (U.S. \$2,000,000)	2,161,250
6 1/2% (U.S. \$ 500,000)	<u>540,313</u>
	4,251,563
Accrued interest on junior subordinated debt to December 31, 1967	<u>773,236</u>
	<u>\$ 5,024,799</u>

12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$130,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

13. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after June 30, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

PRICE WATERHOUSE & Co.

P.O.BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) as at December 31, 1967, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1967, the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 and the Statement of Loss for the year ended December 31, 1967.

Scope of examination:

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The primary purpose of our examination was to enable us to form an opinion on whether or not the Statement of Deficiency in Net Assets as at December 31, 1967 fairly presents the financial position at that date of Atlantic Acceptance Corporation Limited - In Receivership (as a corporation) and to report on the transactions recorded during the year then ended under the direction of the Receiver and Manager.

Statement of Deficiency in Net Assets as at December 31, 1967 (Exhibit 1):

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets are in the process of liquidation. As a consequence, the assets shown in the Statement of Deficiency in Net Assets are stated at estimated realizable values. Because of the uncertainties in determining the estimated realizable value of certain important assets, which are referred to below, we are unable to express an opinion on the Statement of Deficiency in Net Assets as a whole.

However, in our opinion, cash (\$1,443,221, subject to the comment concerning bank deposits of \$965,723 in Note 2 to the financial statements), short-term investments (\$66,170,970), income taxes recoverable and miscellaneous accounts receivable (\$644,144), and 6% Capital Notes of General Acceptance Corporation (\$8,552,519) are fairly presented in the Statement of Deficiency in Net Assets. Our comments on the other assets shown in the statement are as follows:

We consider that the estimated amounts due in respect of sale of interest in former subsidiary companies (\$7,903,262) as referred to in Note 3 to the financial statements have been carefully estimated in the light of current conditions. However, because of the uncertainties arising from the liquidation of the accounts and other net assets, the actual amount realized may be greater or less than the estimated value recorded in the accounts.

The advances to wholly-owned subsidiary companies in the amount of \$1,210,583 and the estimated equity in assets held by the Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited in the amount of \$334,045 are stated at the estimated realizable value of the underlying assets, most of which consist of notes and accounts receivable whose value on liquidation is subject to the uncertainties mentioned above.

The investment made by the Receiver and Manager in Lucayan Beach Hotel and Development Limited through shares, debentures and advances totals \$10,576,592 (Note 5 to the financial statements). We have been unable to form an opinion as to the amount which may be realized from the investment.

The shares of Great Northern Capital Corporation Limited are carried at a value of \$700,000 (Note 7 to the financial statements) which is the indicated market value at June 14, 1968.

We are also of the opinion that the liabilities are fairly presented in the Statement of Deficiency in Net Assets except that:

Full provision has not been made for the compensation of the Receiver and Manager (Note 8 to the financial statements).

Litigation is pending which seeks to establish that senior notes issued after June 30, 1964 are not entitled to the security of the Senior Note indenture (Note 13 to the financial statements). The Statement of Deficiency in Net Assets has been drawn up on the basis that the senior debt of \$127,768,562 is entitled to the security of the indenture.

Statement of Deficit as at June 17, 1965,
the date when the company went into
receivership, as adjusted to December 31,
1967 (Exhibit 2):

We have reviewed the adjustments made during the year ended December 31, 1967 by the Receiver and Manager relating to the assets and liabilities as at June 17, 1965 as set out in the Statement of Deficit as at June 17, 1965, and consider them necessary in order to state the net assets at their estimated realizable value at December 31, 1967.

Statement of Deficit for the period from
June 18, 1965 to December 31, 1967,
while the operations of the company
were under the control of the Receiver
and Manager (Exhibit 2),

and

Statement of Loss for the year ended
December 31, 1967 (Exhibit 3):

Except that no provision has been made for the operating loss of
Lucayan Beach Hotel and Development Limited (Note 5 to the financial state-
ments), in our opinion the Statement of Loss for the year ended December 31,
1967 presents fairly the income and expenses arising during the year from
the net assets under the control of the Receiver and Manager, and the
Statement of Deficit for the period from June 18, 1965 to December 31, 1967
presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1967

Assets under the control of the
Receiver and Manager:

Cash (Note 2)		\$ 1,443,221
Short-term investments, maturing within one year, at cost plus accrued interest:		
Deposit receipts of Canadian chartered banks	\$40,190,718	
Provincial and provincial hydro notes	18,034,320	
Guaranteed investment certificates of Canadian trust companies	7,793,437	
Canadian and United States treasury bills	<u>152,495</u>	
		66,170,970
Estimated amounts due in respect of sale of interest in former subsidiary companies (Note 3)		7,903,262
Income taxes recoverable and miscellaneous accounts receivable, at estimated realizable value (Note 4)		644,144
Investments and advances:		
Lucayan Beach Hotel and Development Limited (Note 5)-		
Shares and debentures, at cost	3,660,718	
Advances, including accrued interest	<u>6,915,874</u>	
		10,576,592
6% Capital Notes of General Acceptance Corporation, due October 1, 1970, at cost plus accrued interest (Note 6)	8,552,519	
Advances to wholly-owned subsidiary companies, at estimated realizable value	1,210,583	
Shares of Great Northern Capital Corporation Limited (Note 7)	<u>700,000</u>	
		21,039,694
Estimated equity in assets held by Receiver and Manager arising from the receivership of The Premier Finance Corporation Limited		<u>334,045</u>
Forward		\$97,535,336

Forward		\$97,535,336
Deduct- Accounts payable and accrued liabilities of the Receiver and Manager		<u>174,335</u>
Estimated realizable value of net assets under the control of the Receiver and Manager, before full provision for the compensation of the Receiver and Manager (Note 8), being 89.2% of the principal amount (\$109,173,800) due to senior noteholders as at December 31, 1967		97,361,001
Deduct- Senior debt (principal \$109,173,800, redemption premium \$2,176,335 and accrued interest \$16,418,427, as set out in Note 9)		<u>127,768,562</u>
Deficiency in net assets to meet senior debt outstanding, before full provision for the compensation of the Receiver and Manager (Note 8)		30,407,561
Other liabilities:		
Subordinated debt (Note 10)	\$19,353,857	
Junior subordinated debt (Note 11)	5,024,799	
Accounts payable and accrued liabilities	64,893	
Dividends payable	249,430	
Contingent liabilities (Note 12)	<u>-</u>	<u>24,692,979</u>
Deficiency in net assets		<u><u>\$55,100,540</u></u>
Represented by:		
Capital stock		\$14,455,087
Deficit (Exhibit 2):		
As at June 17, 1965 as adjusted to December 31, 1967	\$63,712,782	
For the period from June 18, 1965 to December 31, 1967	<u>5,842,845</u>	<u>(69,555,627)</u>
		<u><u>\$55,100,540</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1967

Deficit at June 17, 1965 as adjusted to December 31, 1966		\$65,486,429
Deduct- Adjustments during the year ended December 31, 1967 relating to the assets and liabilities at June 17, 1965:		
Amounts received (or estimated to be received) from advances to subsidiary (or former subsidiary) companies in excess of their estimated realizable value at December 31, 1966	\$1,436,003	
Amounts recovered on notes and accounts receivable previously written off as uncollectible	343,303	
Increase in estimated income taxes recoverable	120,435	
Adjustment of foreign exchange on notes payable in United States dollars based on exchange rates at December 31, 1967	56,141	
Excess of the estimated realizable value of a miscellaneous account receivable at December 31, 1966 over the amount to be received on collection of the account	<u>(58,905)</u>	
	1,896,977	
Add- Legal expenses of the receivership	<u>123,330</u>	
		<u>1,773,647</u>
Deficit at June 17, 1965 as adjusted to December 31, 1967		<u>\$63,712,782</u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1966	\$ 3,084,624
Add- Loss for the year ended December 31, 1967 (Exhibit 3)	<u>2,758,221</u>
Deficit as at December 31, 1967	<u>\$ 5,842,845</u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1967

Operating income:		
Interest on marketable securities		\$3,509,777
Interest		<u>740,856</u>
		4,250,633
Operating expenses:		
Administrative, per statement attached		<u>223,634</u>
Excess of operating income over operating expenses before the undernoted items		4,026,999
Interest on notes:		
Senior debt-		
Bank advances	\$ 435,990	
Short-term	2,504,065	
Medium-term	273,987	
Long-term	2,951,098	
Subordinated debt	1,010,658	
Junior subordinated debt	<u>265,981</u>	
		<u>7,441,779</u>
		3,414,780
Interest charged on advances to wholly-owned subsidiary companies	975,632	
Less- Provision for the net loss of these companies for the year ended December 31, 1967	<u>982,486</u>	
	(6,854)	
Interest charged on advances to:		
Lucayan Beach Hotel and Development Limited (Note 5)	484,813	
Standard Discount Corporation Limited	<u>178,600</u>	
		<u>656,559</u>
Loss for the year		<u><u>\$2,758,221</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1967

Bank charges	\$ (1,193)
Collection expenses	62,838
Credit information	1,058
Employee benefits	798
Foreign exchange	(46,596)
Insurance	374
Legal and audit	114,738
Management fees to G.A.C. International Acceptance Corporation Limited	31,250
Miscellaneous	1,827
Notary, filing and recording fees	666
Occupancy	(1,122)
Postage	1,519
Printing, stationery and office supplies	1,873
Provision for loss on miscellaneous accounts receivable	796
Rent	19,601
Salaries	29,848
Telephone and telegraph	4,440
Travel and automobile expenses	919
	<u>\$223,634</u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE CORPORATION LIMITED - IN RECEIVERSHIP
(as a corporation)

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1967

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and its business and assets, and the business and assets of its wholly-owned subsidiaries, are being liquidated. As a consequence the assets in the financial statements are stated at estimated realizable values.

In the attached statements, all balances are stated in Canadian dollars with translations into Canadian dollars at the rate of exchange as at December 31, 1967.

2. Cash:

Cash includes bank deposits of \$965,723 which were seized on June 17, 1965 by the depositaries. The banks have claimed a right to offset these deposits against bank advances and short-term notes which form part of the senior debt of the company.

3. Estimated amounts due in respect of sale of interest in former subsidiary companies:

Since the date of receivership, the Receiver and Manager has sold the shares of three wholly-owned subsidiary companies, and the following amounts are due as at December 31, 1967 in respect of the sale of the interest in these companies:

Balance of consideration due from General Acceptance Corporation in respect of the sale of interest in Atlantic Finance Corporation Limited, equal to the estimated realizable value of certain notes receivable and other net assets as at December 31, 1967	\$ 880,129
Due from Great Northern Capital Corporation Limited, representing the estimated realizable value of the remaining net assets of Commodore Sales Acceptance Limited as at December 31, 1967	6,011,868
Due from Standard Discount Corporation Limited	<u>1,011,265</u>
	<u>\$7,903,262</u>

4. Income taxes recoverable and miscellaneous accounts receivable:

Income taxes recoverable and miscellaneous accounts receivable include the following amounts:

Income taxes recoverable, of which \$550,322 was confirmed by reassessment notices in June 1968	\$599,284
Other	<u>44,860</u>
	<u>\$644,144</u>

5. Lucayan Beach Hotel and Development Limited:

Approximately 30% of the outstanding shares of Lucayan and debentures in the face amount of U.S. \$1,200,000 are held as collateral security for loans made by a former subsidiary, Commodore Sales Acceptance Limited, the estimated realizable value of which is included in the item of \$7,903,262 shown on Exhibit 1. In 1965 the Receiver and Manager acquired control of Lucayan by purchasing a further 61.4% of the outstanding shares of that company and additional debentures having a face value of U.S. \$1,200,000 for an aggregate consideration of \$3,660,718.

The Receiver and Manager also made advances to Lucayan totalling \$6,915,874 (including accrued interest) to December 31, 1967 to assist it in meeting its current obligations. As security for these advances the Receiver and Manager is entitled to receive debentures from Lucayan having a charge on its assets. One debenture has been received in the amount of U.S. \$5,000,000 which constitutes a specific charge on the real and leasehold property and a first charge by way of a floating security on all other assets of the company. Additional debentures issued or to be issued by Lucayan constitute a specific charge on the real and leasehold property and a third charge by way of a floating security on all other assets of the company subject to the first charge referred to above and a second charge of U.S. \$637,299 granted to others.

The audited financial statements of Lucayan as at September 30, 1967 indicate an underlying equity at book value in excess of \$10,576,592, the aggregate investment in Lucayan.

No provision has been made for the company's share (approximately \$800,000) of the loss of Lucayan for the year ended September 30, 1967, or for its share of the cumulative losses (approximately \$2,100,000) of Lucayan to that date.

6. 6% Capital Notes of General Acceptance Corporation:

In September 1966 the Receiver and Manager entered into agreements providing for the sale without recourse of instalment notes and accounts receivable of the company as of June 30, 1966 for \$12,427,511, and for the purchase of an equal amount of 6% Capital Notes of General Acceptance Corporation due October 1, 1970. Under the terms of the latter agreement, General Acceptance Corporation prepaid without premium \$4,000,000 on October 1, 1967 and will prepay without premium \$3,500,000 on October 1, 1968 and \$2,500,000 on October 1, 1969, and pay the balance of \$2,427,511 on October 1, 1970.

7. Shares of Great Northern Capital Corporation Limited:

On the sale of the shares of Commodore Sales Acceptance Limited (a former wholly-owned subsidiary company) in December 1965, the company acquired 200,000 shares of Great Northern Capital Corporation Limited and under the terms of the sale agreement, a value of \$700,000 (or \$3.50 per share) was placed on these shares. The shares of Great Northern, which are traded on the Toronto Stock Exchange, had a quoted market value of \$430,000 on December 31, 1967 and \$700,000 on June 14, 1968.

8. Compensation of the Receiver and Manager:

An initial interim award of compensation in the amount of \$1,750,000 was paid to the Receiver and Manager upon approval by the Court in December 1966. No provision has been made for any further compensation to the Receiver and Manager.

9. Senior debt:

The senior debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, is secured by an assignment of notes receivable and by a first floating charge on the assets of the company. The senior debt consists of the following liabilities in Canadian and United States dollars:

Bank advances (Note 2):			
Payable in Canadian dollars		\$ 3,250,000	
Payable in United States dollars			
(U.S. \$4,000,000)		<u>4,322,500</u>	\$ 7,572,500
Short-term notes (Note 2):			
Payable in Canadian dollars		35,280,135	
Payable in United States dollars			
(U.S. \$15,953,000)		<u>17,239,211</u>	52,519,346
Medium-term notes:			
Payable in Canadian dollars-			
5 %		100,000	
5 3/8%		140,000	
5 7/8%		700,000	
Payable in United States dollars-			
5 % (U.S. \$2,000,000)		2,161,250	
5 1/4% (U.S. \$2,000,000)		<u>2,161,250</u>	5,262,500
Long-term notes:			
Payable in Canadian dollars-			
Series B 6 1/2%		846,000	
Series C 5 3/4%		600,000	
Series D 5 3/4%		400,000	
Series E 6 1/4%		400,000	
Series F 5 1/4%		100,000	
Series G 6 1/4%		100,000	
Series H 6 %		700,000	
Series I 6 %		1,250,000	
Series O 6 1/8%		1,500,000	
Payable in United States dollars-			
Series A 6 1/2% (U.S. \$3,384,000)		3,656,835	
Series J 6 % (U.S. \$2,250,000)		2,431,406	
Series K 6 % (U.S. \$1,500,000)		1,620,937	
Series L 6 % (U.S. \$2,500,000)		2,701,563	
Series M 6 % (U.S. \$2,500,000)		2,701,563	
Series N 5 3/4% (U.S. \$7,500,000)		8,104,687	
Series P 6 % (U.S. \$1,500,000)		1,620,937	
Series Q 6 % (U.S. \$8,500,000)		9,185,313	
Series R 5 7/8% (U.S. \$5,460,000)		<u>5,900,213</u>	
			<u>43,819,454</u>
Principal amount of senior debt			109,173,800
Redemption premium on long-term notes			<u>2,176,335</u>
			111,350,135
Accrued interest on senior debt to December 31, 1967			<u>16,418,427</u>
			<u>\$127,768,562</u>

10. Subordinated debt:

The subordinated debt of the company, which became due and payable upon default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 %		\$ 23,500
6 1/4%		4,500,000
Payable in United States dollars-		
6 1/2% (U.S. \$2,250,000)		2,431,406
6 1/2% (U.S. \$ 782,000)		845,049
6 % (U.S. \$3,478,000)		3,758,414
6 1/4% (U.S. \$2,340,000)		2,528,662
6 1/4% (U.S. \$2,000,000)		<u>2,161,250</u>
Principal amount of subordinated debt		16,248,281
Redemption premium		<u>401,068</u>
		16,649,349
Accrued interest on subordinated debt to December 31, 1967		<u>2,704,508</u>
		<u>\$19,353,857</u>

11. Junior subordinated debt:

The junior subordinated debt of the company, which became due and payable upon the default under the Senior Note indenture in June 1965, consists of the following liabilities in Canadian and United States dollars:

Payable in Canadian dollars-		
6 1/2%		\$1,000,000
6 3/4%		400,000
6 3/4%		150,000
Payable in United States dollars-		
6 % (U.S. \$2,000,000)		2,161,250
6 1/2% (U.S. \$ 500,000)		<u>540,313</u>
		4,251,563
Accrued interest on junior subordinated debt to December 31, 1967		<u>773,236</u>
		<u>\$5,024,799</u>

12. Contingent liabilities:

The company is contingently liable under certain guarantees to the amount of approximately \$130,000. If the contingent liabilities should become actual liabilities these creditors would rank with other unsecured creditors.

13. Litigation:

An action is pending in the Supreme Court of Ontario whereunder Connecticut General Life Insurance Company, suing on behalf of itself and all other holders of senior notes issued in compliance with the terms of the Senior Note indenture, is seeking a declaration of the Court that the outstanding senior

notes Series O to Series R and the outstanding short-term and medium-term senior notes issued after June 30, 1964 were not issued in compliance with the terms of the Senior Note indenture and are not entitled to the security thereof. Pursuant to an order of the Court the action is being defended by Montreal Trust Company, the trustee under the Senior Note indenture, and by certain representative holders of senior notes in the series and classes of senior notes impugned.

PRICE WATERHOUSE & Co.

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of The Premier Finance Corporation Limited:

We have examined the Statement of Deficiency in Net Assets of The Premier Finance Corporation Limited - In Receivership (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1967, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1967, the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 and the Statement of Loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Statement of Deficiency in Net Assets at estimated realizable values.

The estimated realizable value of instalment notes and accounts receivable, and of notes and accounts receivable sold with full recourse to Standard Discount Corporation Limited, have been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amounts realized may be greater or less than the estimated values recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Statement of Deficiency in Net Assets presents fairly the financial position of the company as at December 31, 1967.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1967 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the assets at their estimated realizable value at December 31, 1967.

In our opinion the Statement of Loss for the year ended December 31, 1967 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIENCY IN NET ASSETS
AS AT DECEMBER 31, 1967

Assets under the control of the Receiver and Manager:	
Cash	\$ 84,510
Instalment notes and accounts receivable, at estimated realizable value (Note 2)	64,000
Income taxes recoverable	65,443
Receivable from Standard Discount Corporation Limited arising from the sale of notes and accounts receivable with full recourse, at estimated realizable value of the notes and accounts (Note 2)	120,091
Fixed assets, at nominal value	<u>1</u>
Estimated realizable value of net assets under the control of the Receiver and Manager available for creditors as of June 17, 1965	334,045
Deduct- Advances from Atlantic Acceptance Corporation Limited (Note 1)	<u>2,426,382</u>
Deficiency in net assets to meet outstanding advances from Atlantic Acceptance Corporation Limited	2,092,337
Add- Other accounts payable and accrued liabilities	<u>10,630</u>
Deficiency in net assets	<u><u>\$2,102,967</u></u>
Represented by:	
Capital stock	\$ 185,618
Deficit (Exhibit 2)- As at June 17, 1965 as adjusted to December 31, 1967	\$1,757,906
For the period from June 18, 1965 to December 31, 1967	<u>530,679</u>
	<u>(2,288,585)</u>
	<u><u>\$2,102,967</u></u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP
(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1967

Deficit at June 17, 1965 as adjusted to December 31, 1966	\$1,890,977
Deduct- Adjustment during the year ended December 31, 1967 relating to the assets at June 17, 1965:	
Amounts received (or estimated to be received)	
from collections of instalment notes and	
accounts receivable in excess of their	
estimated realizable value at December 31, 1966	<u>133,071</u>
Deficit at June 17, 1965 as	
adjusted to December 31, 1967	<u><u>\$1,757,906</u></u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1966	\$ 357,186
Add- Loss for the year ended December 31, 1967	
(Exhibit 3)	<u>173,493</u>
Deficit as at December 31, 1967	<u><u>\$ 530,679</u></u>

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

STATEMENT OF LOSS
 FOR THE YEAR ENDED DECEMBER 31, 1967,
 WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
 THE CONTROL OF THE RECEIVER AND MANAGER

Operating income:

Interest on receivable from Standard
 Discount Corporation Limited

\$ 8,144

Operating expenses:

Administrative-

Bank charges	\$ 59
Collection expenses	16,813
Credit information	152
Employee benefits	266
Miscellaneous	72
Occupancy	37
Postage	505
Printing and stationery	416
Rent	438
Salaries	9,949
Telephone and telegraph	1,140
Travel	8

29,855

Excess of operating expenses over
 operating income before interest charges

21,711

Interest on advances from Atlantic Acceptance
 Corporation Limited

151,782

Loss for the year

\$173,493

(The accompanying notes are an integral part of the financial statements.)

THE PREMIER FINANCE CORPORATION LIMITED - IN RECEIVERSHIP

(MONTREAL TRUST COMPANY - RECEIVER AND MANAGER)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1967

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965, and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of The Premier Finance Corporation Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Premier Finance, which are stated in the Statement of Deficiency in Net Assets at estimated realizable values, are being liquidated in satisfaction of this charge.

To assist in orderly liquidation, Montreal Trust Company was appointed Receiver and Manager of Premier Finance on July 29, 1965 under an order issued by the Supreme Court of Ontario.

2. Instalment notes and accounts receivable:

Receivable from Standard Discount Corporation Limited
arising from the sale of notes and accounts receivable
with full recourse:

The receivables, including those sold to Standard Discount, are represented by promissory notes secured, in some cases, by conditional sales contracts, chattel mortgages or other commercial paper and every effort is being made to collect the outstanding receivables as they fall due.

The estimated realizable values of the receivables have been arrived at after making allowances for losses which may be sustained on realization of the accounts. These allowances may be greater or less than the amounts which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO. -

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Adelaide Acceptance Limited (a wholly-owned subsidiary of Atlantic Corporation Limited - In Receivership) as at December 31, 1967, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1967, the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 and the Statement of Loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence, the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of the uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1967.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1967 relating to the assets as at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the notes receivable at their estimated realizable value at December 31, 1967.

In our opinion the Statement of Loss for the year ended December 31, 1967 presents fairly the income and expenses arising during the year while the operations of the company were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965, THE DATE WHEN THE PARENT COMPANY
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1967

Deficit at June 17, 1965 as adjusted to December 31, 1966	\$3,203,524
Deduct- Adjustment during the year ended December 31, 1967 relating to the notes receivable at June 17, 1965:	
Amounts received (or estimated to be received) from collections of notes receivable in excess of their estimated realizable value at December 31, 1966	<u>75,091</u>
Deficit at June 17, 1965 as adjusted to December 31, 1967	<u><u>\$3,128,433</u></u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL
OF THE RECEIVER AND MANAGER OF THE PARENT COMPANY

Deficit from June 18, 1965 to December 31, 1966	\$ 357,317
Add- Loss for the year ended December 31, 1967 (Exhibit 3)	<u>259,830</u>
Deficit as at December 31, 1967	<u><u>\$ 617,147</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1967

Operating income:		
Interest	\$21,901	
Gain in foreign exchange	<u>1,500</u>	\$ 23,401
Operating expenses:		
Legal		<u>40</u>
Excess of operating income over operating expenses before interest charges		23,361
Interest on advances from parent company		<u>283,191</u>
Loss for the year		<u><u>\$259,830</u></u>

(The accompanying notes are an integral part of the financial statements.)

ADELAIDE ACCEPTANCE LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1967

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Adelaide Acceptance Limited, a wholly-owned subsidiary, whose property and assets were charged as security for the senior debt of the parent company. The assets of Adelaide Acceptance, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

In the attached statements, all balances are stated in Canadian dollars at the rate of exchange as at December 31, 1967.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & CO.

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Atlantic Acceptance (Toronto) Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1967, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1967, the Statement of Deficit for the period from June 18 to December 31, 1967 and the Statement of Loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

A provision of \$125,785 has been made as an estimated allowance for possible loss on the collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1967.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1967 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary in order to state the mortgages receivable at their estimated realizable value at December 31, 1967.

In our opinion the Statement of Loss for the year ended December 31, 1967 presents fairly the income and expenses arising in that period while the operations were under the control of the Receiver and Manager of the parent company, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1967

ASSETS

Mortgages receivable, including accrued interest, less estimated allowance for possible loss \$125,785 (Note 2)	\$ 77,305
-----------------------------------------------------------------------------------------------------------------	-----------

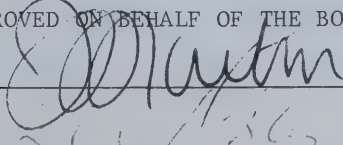

LIABILITIES

Accrued liabilities	\$ 75
Advances from Atlantic Acceptance Corporation Limited	264,524
	264,599

Capital stock and deficit:

Capital stock-		
Authorized- 40,000 shares without par value		
Issued and fully paid- 3 shares	\$	3
Deficit (Exhibit 2)-		
As at June 17, 1965 as adjusted to December 31, 1967	\$136,806	
For the period from June 18, 1965 to December 31, 1967	50,491	
		187,297
		(187,294)
		\$ 77,305

APPROVED ON BEHALF OF THE BOARD:

 _____	Director
 _____	Director

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN THE PARENT COMPANY WENT INTO RECEIVERSHIP,
AS ADJUSTED TO DECEMBER 31, 1967

Deficit at June 17, 1965 as adjusted to December 31, 1966	\$121,806
Deduct- Adjustment during the year ended December 31, 1967 relating to the mortgages receivable at June 17, 1965:	
Excess of the estimated realizable value of mortgages receivable at December 31, 1966 over the amounts received (or estimated to be received) from collections of the mortgages	<u>15,000</u>
Deficit at June 17, 1965 as adjusted to December 31, 1967	<u>\$136,806</u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967,
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER
THE CONTROL OF THE RECEIVER AND MANAGER

Deficit from June 18, 1965 to December 31, 1966	\$ 43,684
Add- Loss for the year ended December 31, 1967 (Exhibit 3)	<u>6,807</u>
Deficit as at December 31, 1967	<u>\$ 50,491</u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

STATEMENT OF LOSS
FOR THE YEAR ENDED DECEMBER 31, 1967

Operating income:		
Interest		\$ 3,441
Operating expenses:		
Administrative-		
Adjustment of provision for possible loss on collection of mortgages receivable acquired from parent company in 1966	\$ (10,922)	
Capital and place of business taxes	158	
Miscellaneous	<u>25</u>	
		<u>(10,739)</u>
Excess of operating income over operating expenses before interest charges		14,180
Interest on advances from parent company		<u>20,987</u>
Loss for the year		<u><u>\$ 6,807</u></u>

(The accompanying notes are an integral part of the financial statements.)

ATLANTIC ACCEPTANCE (TORONTO) LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1967

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Atlantic Acceptance (Toronto) Limited, a wholly-owned subsidiary.

The assets of Atlantic Acceptance (Toronto) which are stated in the Balance Sheet at estimated realizable values are being liquidated in satisfaction of the advances from the parent company.

2. Mortgages receivable:

The mortgages are generally repayable in monthly instalments over periods up to 1972 and every effort is being made to collect the outstanding mortgages as they fall due.

A provision of \$125,785 has been made in the Balance Sheet as an estimated allowance for possible loss on collection of the mortgages receivable. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

P.O. BOX 51

TORONTO-DOMINION CENTRE

TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager,
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Commodore Factors Limited (whose shares are held by the Receiver and Manager of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1967, the Statement of Deficit as at June 17, 1965 as adjusted to December 31, 1967, the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 and the Statement of Loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 1 to the financial statements, the company's property and assets were charged as security for the senior debt of Atlantic Acceptance Corporation Limited and are being liquidated in satisfaction of this charge. As a consequence the assets are stated in the Balance Sheet at estimated realizable values.

The estimated realizable value of notes receivable has been carefully determined in the light of current conditions. However, because of uncertainties arising from the liquidation of the receivables, the actual amount realized may be greater or less than the estimated value recorded in the accounts (Note 2 to the financial statements).

Subject to the comments in the preceding paragraph, in our opinion the Balance Sheet presents fairly the financial position of the company as at December 31, 1967.

We have reviewed the adjustment made by the Receiver and Manager during the year ended December 31, 1967 relating to the assets at June 17, 1965, as set out in the Statement of Deficit as at that date, and consider it necessary to state the notes receivable at their estimated realizable value at December 31, 1967.

In our opinion the Statement of Loss for the year ended December 31, 1967 presents fairly the income and expenses arising in that period while the operations of the company were under the control of the Receiver and Manager of Atlantic Acceptance Corporation Limited, and the Statement of Deficit for the period from June 18, 1965 to December 31, 1967 presents fairly the cumulative results of operations during that period.

Price Waterhouse & Co.

Chartered Accountants.

COMMODORE FACTORS LIMITED

BALANCE SHEET - DECEMBER 31, 1967
(stated in United States dollars)

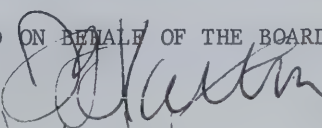
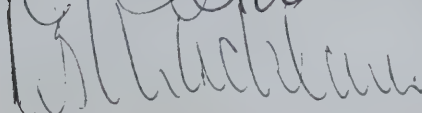
ASSETS

Cash	\$ 21,993
Notes receivable, at estimated realizable value (Note 2)	271,000
Office furniture, at nominal value	<u>1</u>
	<u>\$ 292,994</u>

LIABILITIES

Accrued liabilities	\$ 36,525
Advances from Atlantic Acceptance Corporation Limited (Canadian \$8,007,864) (Note 1)	<u>7,410,477</u>
	7,447,002
Capital stock and deficit:	
Capital stock-	
Authorized- 200 shares without par value	
Issued- 100 shares	\$ 10,000
Deficit (Exhibit 2):	
As at June 17, 1965 as adjusted	
to December 31, 1967	\$5,934,045
For the period from June 18, 1965	
to December 31, 1967	<u>1,229,963</u>
	<u>7,164,008</u>
	<u>(7,154,008)</u>
	<u>\$ 292,994</u>

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF DEFICIT
AS AT JUNE 17, 1965,
THE DATE WHEN ATLANTIC ACCEPTANCE CORPORATION LIMITED
WENT INTO RECEIVERSHIP, AS ADJUSTED TO DECEMBER 31, 1967
(stated in United States dollars)

Deficit at June 17, 1965 as adjusted to December 31, 1966	\$5,784,843
Add- Adjustment during the year ended December 31, 1967 relating to the notes receivable at June 17, 1965: Excess of the estimated realizable value of notes receivable at December 31, 1966 over the amounts received (or estimated to be received) from collections of the notes	<u>149,202</u>
Deficit at June 17, 1965 as adjusted to December 31, 1967	<u><u>\$5,934,045</u></u>

STATEMENT OF DEFICIT
FOR THE PERIOD FROM JUNE 18, 1965 TO DECEMBER 31, 1967
WHILE THE OPERATIONS OF THE COMPANY WERE UNDER THE CONTROL OF THE
RECEIVER AND MANAGER OF ATLANTIC ACCEPTANCE CORPORATION LIMITED
(stated in United States dollars)

Deficit from June 18, 1965 to December 31, 1966	\$ 711,924
Add- Loss for the year ended December 31, 1967 (Exhibit 3)	<u>518,039</u>
Deficit as at December 31, 1967	<u><u>\$1,229,963</u></u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

STATEMENT OF LOSS
 FOR THE YEAR ENDED DECEMBER 31, 1967
 (stated in United States dollars)

Income:		
Interest		\$ 10
Expenses:		
Legal	\$15,739	
Loss in foreign exchange	<u>22,628</u>	
		<u>38,367</u>
Excess of expenses over income before interest charges		38,357
Interest on advances from Atlantic Acceptance Corporation Limited		<u>479,682</u>
Loss for the year		<u><u>\$518,039</u></u>

(The accompanying notes are an integral part of the financial statements.)

COMMODORE FACTORS LIMITED

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1967

1. Basis of preparation of financial statements:

Atlantic Acceptance Corporation Limited has been in receivership since June 17, 1965 and this has enabled the Receiver and Manager of Atlantic Acceptance to control the operations of Commodore Factors Limited whose property and assets were charged as security for the senior debt of Atlantic Acceptance. The assets of Commodore Factors, which are stated in the Balance Sheet at estimated realizable values, are being liquidated in satisfaction of this charge.

2. Notes receivable:

The receivables are generally represented by promissory notes secured by chattel mortgages and other commercial paper. Most of the debtors are in financial difficulties or in bankruptcy and every effort is being made to collect the outstanding notes as quickly as is practical in the circumstances.

The estimated realizable value of the receivables has been arrived at after making an allowance for losses which may be sustained on realization of the notes. This allowance may be greater or less than the amount which might ultimately be required to provide for the losses from bad debts.

PRICE WATERHOUSE & Co.

P.O. BOX 51
TORONTO-DOMINION CENTRE
TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the Balance Sheet of Concourse Agencies Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1967, in which is incorporated a Statement of Deficit for the period from June 18, 1965 to December 31, 1967 and a Statement of Loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying Balance Sheet presents fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants.

CONCOURSE AGENCIES LIMITED
(a wholly-owned subsidiary of Atlantic Acceptance
Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1967

ASSETS

\$ Nil

LIABILITIES

Advance from Atlantic Acceptance
Corporation Limited

\$ 984

Capital stock and deficit:

Capital stock-

Authorized - 100,000 shares without
par value

Issued and fully paid - 3 shares

\$ 3

Deficit-

As at June 17, 1965 (no change
to December 31, 1967)

\$774

For the period from June 18,
1965 to December 31, 1967-

Deficit from June 18, 1965 to
December 31, 1966

\$132

Loss for the year ended

December 31, 1967,

represented by interest

on advances from the parent

company (\$61) and miscellaneous

expense (\$20)

81

Deficit as at December 31, 1967

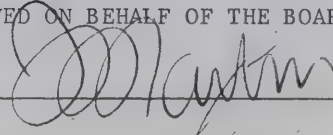
213

987

(984)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:



Director



Director

PRICE WATERHOUSE & CO.

P.O. BOX 51
TORONTO-DOMINION CENTRE
TORONTO 1

June 28, 1968.

AUDITORS' REPORT

Montreal Trust Company,
Receiver and Manager
of Atlantic Acceptance Corporation Limited:

We have examined the balance sheet of Pay As You Study Plan Limited (a wholly-owned subsidiary of Atlantic Acceptance Corporation Limited - In Receivership) as at December 31, 1967, in which is incorporated a statement of deficit for the period from June 18, 1965 to December 31, 1967 and a statement of loss for the year ended December 31, 1967. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet presents fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants.

PAY AS YOU STUDY PLAN LIMITED
(a wholly-owned subsidiary of
Atlantic Acceptance Corporation Limited - In Receivership)

BALANCE SHEET - DECEMBER 31, 1967

ASSETS

\$ Nil

LIABILITIES

Advances from Atlantic Acceptance
Corporation Limited

\$33,752

Capital Stock and Deficit:

Capital stock-

Authorized-

1,800 6% non-cumulative redeemable
preference shares with a par
value of \$100 each

20,000 common shares without par
value

Issued and fully paid-

3 common shares

\$ 3

Deficit-

As at June 17, 1965 as adjusted to
December 31, 1967 (no change
during 1967)

\$28,437

For the period from June 18, 1965 to
December 31, 1967-

Deficit from June 18, 1965 to

December 31, 1966

\$3,152

Loss for the year ended December

31, 1967, represented by interest

on advances from the parent company 2,166

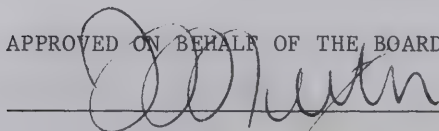
5,318

33,755

(33,752)

\$ Nil

APPROVED ON BEHALF OF THE BOARD:

 Director

Director

PRICE WATERHOUSE & Co.

CHARTERED ACCOUNTANTS

P. W. ANDRAE
E. R. FINGLAND
L. CROPPER
A. H. BRIGGS

P. O. BOX 15
MERCANTILE BANK BUILDING
FREEPORT, BAHAMAS

CABLES: PRICEWATER FREEPORTSAHAMAS
TELEPHONE: 7801 (3 Lines)

The Shareholders Lucayan Beach Hotel and Development Limited

We have examined the accompanying consolidated balance sheet of Lucayan Beach Hotel and Development Limited as at 30th September, 1967 and the related consolidated profit and loss account for the year ended 30th September, 1967.

ACCOUNTING RECORDS AND SCOPE OF EXAMINATION

We have maintained the accounting records of the Company and its subsidiaries for the year under review. We have also carried out such verification procedures and examined such other supporting evidence as we considered necessary in the circumstances.

BALANCE SHEET

The group has never maintained detailed plant and equipment registers of the various fixed assets. As a consequence, it has not been possible to satisfy ourselves as to the existence of certain of the fixtures and equipment. It may be that assets have been retired or lost and the corresponding asset values remain in the accounts.

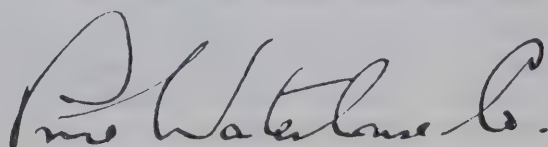
Certain freehold land is included at Directors' valuation in the amount of \$2,500,000. The valuation was ratified by the shareholders at a meeting held on 14th June, 1965. This amount was credited to Capital Reserve and utilised to write off the hotel operating losses arising before 28th February, 1965, and to partly re-capitalise the Company, in January, 1965. As the land has not been professionally and independently appraised, we are unable to satisfy ourselves as to the value placed thereon and resulting from this the substantiation for those accounting entries, made prior to 31st December, 1965 affecting the Capital Reserve, Share Capital and Profit and Loss Account.

The Bell Channel Villas and Lucayan Marina and Apartments were purchased during 1965 at an aggregate cost of \$6,009,874, from Daylite of Grand Bahama Company Limited, a company now in receivership. Daylite had borrowed large sums of money which came indirectly from Atlantic Acceptance Corporation Limited which is also in receivership. The Company issued 1,250,000 of its ordinary shares on 18th January, 1965 for an aggregate cash consideration of \$3,500,000 and immediately paid this money to Daylite in partial settlement of the purchase price of one of the properties mentioned. Information disclosed to a Royal Commission in the Province of Ontario, Canada, indicates that the Company and Daylite may not have been dealing at arms length, and there is, therefore, a possibility that the purchase price of the Bell Channel Villas and the Lucayan Marina and Apartments may be greater or less than the price that would have been paid under competitive conditions.

We have been unable to obtain sufficient information to satisfy ourselves as to the transactions leading to the recording in the books of the Company during 1965 of credits received from Daylite of Grand Bahama Company Limited in the amount of \$200,000 as settlement for the Company agreeing not to participate in a construction venture and \$250,000 towards settling the Company's liability under a contract for the purchase of a building. The former amount was credited to the Capital Reserve Account and the latter amount was credited to the cost of fixed assets.

CONCLUSION

In our opinion, except that we have not been able to satisfy ourselves as to the existence, cost or carrying value of certain fixed assets, and resulting from the latter the possible effect that such valuation may have on the validity of accounting entries affecting the Capital Reserve, Share Capital and Profit and Loss Account, the accompanying consolidated balance sheet and consolidated profit and loss account present fairly the financial position of Lucayan Beach Hotel and Development Limited at 30th September, 1967, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles.



Chartered Accountants

23rd January, 1968
Freeport, Bahamas.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH SEPTEMBER, 1967
(Stated in United States Dollars)

ASSETS

<u>1966</u> \$		\$	\$
	CURRENT ASSETS		
50,404	Balance with bankers	151,803	
24,099	Accounts receivable and pre-	29,156	
<u>74,503</u>	payment		180,959
	FIXED ASSETS (Note 2)		
	Freehold land, hotels, apart-		
	ments, marina, fixtures,		
17,389,780	fittings and equipment	17,580,039	
1,477,364	Less: Accumulated deprecia-	2,149,220	
<u>15,912,416</u>	tion		15,430,819

" J. K. ALLISON "

)
)
) DIRECTORS
)

" J. L. BIDDELL "

\$15,986,919

\$15,611,778

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET AT 30TH SEPTEMBER, 1967
(Stated in United States Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

<u>1966</u> \$		\$	\$
	CURRENT LIABILITIES		
<u>572,174</u>	Accounts payable and accrued charges		457,792
<u>9,085,113</u>	LOANS including accrued interest (Note 3)		9,547,723
	SHAREHOLDERS' EQUITY		
	Share Capital authorised and issued 10,000,000 shares of B5/- each		
7,000,000	fully paid	7,000,000	
<u>1,347,553</u>	Capital reserve	<u>1,347,553</u>	
8,347,553		8,347,553	
<u>(2,017,921)</u>	Profit and loss account (deficit)	<u>(2,741,290)</u>	<u>5,606,263</u>
<u>6,329,632</u>			
\$15,986,919			\$15,611,778

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1967
(Stated in United States Dollars)

9 Months
to 30th
September,
1966
\$

		\$	\$
490,203	Depreciation		671,856
391,228	Loan and other interest		504,914
451,823	General expenses, repairs and maintenance		140,300
<u>375,000</u>	Subsidy payable to hotel operators		<u>-</u>
1,708,254			1,317,070
<u>375,000</u>	Less: Rental income from leased facilities (Note 1)		<u>500,000</u>
1,333,254	LOSS FOR THE PERIOD/YEAR		817,070
684,667	DEFICIT AT BEGINNING OF PERIOD/ YEAR	2,017,921	
<u>-</u>	Less: Prior year Adjustment (Note 4)	<u>93,701</u>	<u>1,924,220</u>
<u>\$2,017,921</u>	DEFICIT AT END OF PERIOD/YEAR		<u>\$2,741,290</u>

The notes attached hereto form an integral part of this statement.

LUCAYAN BEACH HOTEL AND DEVELOPMENT LIMITED
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30TH SEPTEMBER, 1967

NOTE 1

As from 1st October, 1965, all the properties of the Group were leased out on full repairing leases for periods of from five to seven years.

The rent receivable from the hotel operators is an amount equal to two thirds of the operating profit; however the audited financial statements of the hotel operating company disclose a loss of \$54,322 for the year ended 30th September, 1967 and no rent is therefore due to the Company for the year under review. Under the terms of the lease and for the purpose of computing rentals payable to the Company losses incurred by the hotel operators may not be carried forward to following years.

Rent receivable from other full repairing leases amounts to \$500,000, per year.

NOTE 2 - FIXED ASSETS

- (1) Details of fixed assets and depreciation thereon are as follows:-

	<u>Cost or Valuation</u> \$	<u>Accumulated Depreciation</u> \$	<u>Net</u> \$
Freehold land, hotel buildings and apartments	12,735,569	1,254,198	11,481,371
Marina, wharves and equipment	2,585,000	38,225	2,546,775
Furniture, fittings and equipment	<u>2,259,470</u>	<u>856,797</u>	<u>1,402,673</u>
	\$17,580,039	\$2,149,220	\$15,430,819
	<u> </u>	<u> </u>	<u> </u>

- (11) Fixed assets are included at cost except for certain freehold land which is shown at a valuation of \$2,500,000 placed on it by the Directors and subsequently ratified by the shareholders of the Company.

NOTE 2 - FIXED ASSETS (continued)

(iii) Annual rates of depreciation are as follows:-

Hotel and apartment buildings	3% to 7½%
Wharves	2%
Furniture, fittings and equipment	10% to 25%

NOTE 3 - LOANS

The Company has received the following loans from:-

\$

- (1) The Receiver and Manager of Atlantic Acceptance Corporation Limited secured by a Debenture with a specific charge on the freehold and leasehold property of the Company and a first floating charge on all other assets of the Company.

The loan is repayable on demand and carries interest at 6% per year.

Principal amount of the loan and accrued interest (\$175,000).

5,175,000

- (2) Lucayan Beach Management Limited (the hotel lessees) secured by a Debenture with a second charge on all assets of the Company.

The loan is interest free and is repayable inter alia by set off against future rental income from the hotel operation but in no case later than October 1970.

637,299

- (3) The Receiver and Manager of Atlantic Acceptance Corporation Limited secured by a Debenture with a third charge on all assets of the Company up to an amount of \$2,217,900 and accrued interest (\$77,626). The loan carries interest at 6% per year and is repayable on demand.

3,735,424

\$9,547,723

NOTE 4 - PRIOR YEAR ADJUSTMENT

Under the terms of the lease with the hotel operators advances made to the Company were reduced by \$93,701 being the subsequent recovery of doubtful accounts receivable outstanding as at 30th September, 1966.

NOTE 5 - RATES OF EXCHANGE

All amounts are stated in United States Dollars and where necessary, Bahamian Currency has been expressed at the rate of:-

Bahamian £1 - U.S. \$2.80
Bahamian \$1 - U.S. \$0.98

